

## Message Text

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14

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SS-20 IO-14 STR-08

NSC-10 PA-04 USIA-15 PRS-01 L-03 H-03 DRC-01 /196 W

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R 192035Z DEC 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4727

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E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: ARGENTINE RELATION WITH IDB

1. ON DEC 17 MINISTER ECONOMICS GELBARD ANNOUNCED, ACCORDING TO GENERALLY CONFUSED PRESS ACCOUNTS, NEW IDB CREDIT PACKAGE TOTALLING 756 MILLION DOLLARS. GELBARD EMPHASIZED THAT WITH NEW CREDITS, ARGENTINA ENTERS INTO NEW AND PRODUCTIVE PHASE IN ITS RELATION WITH IDB. PRESS VERSION GIVES FOLLOWING DETAILS: EXPORT FINANCING 300 MILLION DOLLARS, SMALL AND MEDIUM ENTERPRISE 100 MILLION DOLLARS, AGRICULTURE 200 MILLION, SANITATION 65 MILLION, COLONIZATION RIO NEGRO 12 MILLION AND SALTO GRANDE 79 MILLION.

2. LOCAL IDB REP HELPFULLY PROVIDED EMBASSY WITH COPY ORTIZ MENA STATEMENT WASHINGTON WHICH CLARIFIES FACT THAT NO NEW LOANS HAVE ACTUALLY BEEN AGREED AS YET. ACCORDING TO STATEMENT, IDB IS RECOMMENDING TO EXECUTIVE BOARD FOR APPROVAL NEW 12 MILLION DOLLAR LOAN FOR COLONIZATION RIO NEGRO AS WELL AS EXTENSION PRESENT LOANS FOR IRRIGATION AND COLONIZATION RIO DULCE AREA, PROVINCE SANTIAGO DEL ESTERO IN ORDER TO USE UNDISBURSED PORTIONS. SALTO GRANDE LOAN 79 MILLION IN FINAL STAGE PREPARATION, AND HIGH PRIORITY WILL BE GIVEN ULLUM PROJECT WITH VIEW TOWARD PRESENTING

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IT TO EXECUTIVE BOARD EARLY NEXT YEAR.

3. REMAINING CREDITS TOTALLING 565 MILLION DOLLARS FOR EXPORT FINANCING, SMALL AND MEDIUM ENTERPRISE, AGRICULTURE AND SANITATION, REPRESENT GLOBAL GOA TARGETS FOR IDB FINANCING IN 1974 IN THESE PRIORITY SECTORS. IDB HAS AGREED WITH GOA ON INTENSIVE WORK SCHEDULE FOR PREPARATION AND PRESENTATION TO EXECUTIVE BOARD FOR APPROVAL OF PROJECTS WITHIN THESE SECTORS.

4. PRIOR TO ABOVE PRONOUNCEMENT, GOA RELATIONS WITH IDB HAD BEEN AT LOW AND DETERIORATING LEVEL. NUMEROUS PRESS ARTICLES, AND SOME OFFICIAL STATEMENTS, HAD SEVERELY CASTIGATED IDB FOR GENERALLY LOW LEVEL OF LOAN OBLIGATIONS AND DISBURSEMENTS IN ARGENTINA AND ALLEGED FAVORITISM TOWARD MEXICO AND PARTICULARLY BRAZIL. POPULAR THEME HAS BEEN THAT BANK UNDER US CONTROL AND THUS PREFERS LENDING BRAZIL AND MEXICO, WHERE FOREIGN INVESTMENT ABUNDANT, RATHER THAN TOWARD MORE SOCIALLY MINDED ARGENTINA.

5. IN THIS ATMOSPHERE, AND WITH GOA UPHEAVALS OVER LAST YEAR, IDB ACTIVITIES HAVE DECLINED. REPORTEDLY, THERE WERE NO NEW IDB LOAN APPROVALS FOR ARGENTINA DURING 1973, ALTHOUGH DISBURSEMENTS HAVE CONTINUED AT RELATIVELY SATISFACTORY LEVEL OF AROUND 100 MILLION. LOCAL REP GAVE HIS STRICTLY PERSONAL VIEW THAT NEW CREDIT OBLIGATIONS FOR 1974 WOULD BE IN NEIGHBORHOOD OF 200-300 MILLION DOLLARS UNDER MOST FAVORABLE OF CIRCUMSTANCES AND EVEN WITH BEST OF WILL ON BOTH SIDES. EVEN AT THIS SCALE, ARGENTINA WOULD RECEIVE SIGNIFICANT PROPORTION TOTAL 1974 IDB OBLIGATIONS.

6. IT SEEMS CLEAR MAJOR PRONOUNCEMENT ON NEW CREDIT PACKAGE AND NEW RELATIONSHIP WITH IDB POLITICALLY IMPORTANT TO GOA. THREE YEAR PLAN, TO BE ANNOUNCED BY PERON THIS WEEK, IS LIKELY REQUIRE SIGNIFICANT AMOUNTS NEW FOREIGN RESOURCES. ANNOUNCEMENT OF NEW RELATIONSHIP WITH IDB, WITH EMPHASIS ON GOA SOVEREIGNTY AND INDEPENDENCE (ALLEGEDLY MINISTER EMPHASIZED ARGENTINA TO RECEIVE SPECIAL NEW, EXTRA-LIBERAL TERMS FROM IDB), HAS GENERALLY BEEN HANDLED IN MANNER TO SUGGEST BANK HAS "REFORMED" AND NOW PREPARED TO OPERATE IN MANNER DESIRED BY GOA. ALSO, IT WAS CLEAR GOA NEEDED MAJOR NEW DEVELOPMENT TO PROVIDE EXCUSE FOR TURNING CORNER ON RELATIONSHIP WITH IDB AFTER RECENT TEMPO OF CRITICISM DIRECTED TOWARD BANK ACTIVITIES.

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7. WHILE BETTER GOA RELATIONSHIP WITH IDB WOULD BE MOST WELCOME, PROBLEMS OF POLICY AND POLITICS LIKELY CONTINUE TO MAKE IT DIFFICULT FOR FULL AND EFFECTIVE PARTNERSHIP TO FLOURISH. REPORTEDLY, SEVERAL DIFFICULT ISSUES STILL UNDER DISCUSSION BETWEEN IDB AND GOA INCLUDING DEGREE OF ARGENTINE INDEPENDENCE AND AUTONOMY IN LOAN PROCESSING AND IMPLEMENTATION, LOCAL FINANCING REQUIREMENTS. REQUIREMENTS CONCERNING COMPETITIVENESS OF ARGENTINE COMPANIES IF THEY ARE TO OBTAIN CONTRACTS UNDER IDB FINANCING, AND THE ROLE AND

OPERATIONS OF FINANCIAL INTERMEDIARIES HANDLING LOANS.

8. EMBASSY WILL APPRECIATE RECEIVING DEPARTMENT'S COMMENTS ON  
BACKGROUND IDB ANNOUNCEMENT OF DEC 17 RE ITS PROGRAM IN ARGENTINA  
AND ON ANY CHANGES IN IDB POLICIES, LOAN CONDITIONS OR LENDING  
PRACTICES THAT MAY BE REFLECTED THEREIN. DECON 12/19/74.  
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